



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
LAUREL COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 1999**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Jimmy Williams, Laurel County Judge/Executive

Honorable Dennis Karr, Former Laurel County Judge/Executive

Members of the Laurel County Fiscal Court

### Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Laurel County, Kentucky, as of June 30, 1999, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Laurel County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Section 8 Housing Assistance Program of Laurel County. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Section 8 Housing Assistance Program of Laurel County, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Laurel County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Jimmy Williams, Laurel County Judge/Executive

Honorable Dennis Karr, Former Laurel County Judge/Executive

Members of the Laurel County Fiscal Court

In our opinion, based upon our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Laurel County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of June 30, 1999, in conformity with the cash basis of accounting described above.

Our audit was performed for the purpose of forming an opinion on the financial statements of Laurel County, Kentucky, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States and Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following areas of noncompliance:

- The County Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits
- All Economic Development Loans Should Be Administered In A Similar Manner
- The Fiscal Court Should Monitor Grants To Subrecipient

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2000, on our consideration of Laurel County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -  
March 16, 2000

LAUREL COUNTY OFFICIALS

Fiscal Year Ended June 30, 1999

Jimmy Williams	County Judge/Executive
Elmer Cunnagin	County Attorney
Dean Johnson	County Clerk
Roger Schott	Circuit Court Clerk
Gene Hollon	Sheriff
Ed Parsley	Jailer
Marian Sparkman Davis	Property Valuation Administrator
Karen Montgomery	County Treasurer
Leonard Bowling	Coroner
James Lewis	Magistrate
David Bruner	Magistrate
Noah Baker	Magistrate
Roy Crawford	Magistrate
Roy Jenkins	Magistrate
Teddy Benge	Magistrate





STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS



LAUREL COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1999

Assets and Other Resources

Assets

General Fund:	
Cash	\$ 630,930
Road and Bridge Fund:	
Cash	87,377
Jail Fund:	
Cash	626,648
Jail Commissary Fund:	
Cash	31,901
Local Government Economic Assistance Fund:	
Cash	52,238
Forest Fire Protection Fund:	
Cash	6,125
Occupational Tax Fund:	
Cash	1,051,211
CDBG Payback Grant Fund:	
Cash	261,033
Long-term Notes Receivable (Note 4)	773,521
Local Government Economic Development Fund:	
Cash	1,902
Bond Escrow Fund:	
Cash	3,897
Camp Wildcat Preservation Fund:	
Camp	46,306
Laurel County Courthouse Annex, Inc. Fund:	
Cash	529,890
Payroll Account - Cash	58,653
Kentucky State Tax Fund - Cash	75
Retirement Account - Cash	3,273

Other Resources

CDBG Payback Grant Fund:	
Amounts to be Provided in Future Years for Kentucky Infrastructure Authority Loan Payments	173,046
Amounts to be Provided in Future Years for Industrial Development Authority Loan	119,005
Laurel County Courthouse Annex, Inc. Fund:	
Amounts to be Provided in Future Years for Bond Payments	4,965,110
Total Assets and Other Resources	<u>\$ 9,422,141</u>

The accompanying notes are an integral part of the financial statements.

LAUREL COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 1999  
 (Continued)

Liabilities and Fund Balances

Liabilities

CDBG Payback Grant Fund:

Deferred Revenue (Note 4)	\$ 773,521
Kentucky Infrastructure Authority Loan	
Not Matured (Note 5B)	173,046
Industrial Development Authority Loan (Note 5B)	380,038

Laurel County Courthouse Annex, Inc. Fund:

Bonds Not Matured (Note 5A)	5,495,000
Payroll Account - Cash	58,653
Kentucky State Tax Fund - Cash	75
Retirement Account - Cash	3,273

Fund Balances

Reserved:

Jail Commissary Fund	31,901
Forest Fire Protection Fund	6,125
Camp Wildcat Preservation Fund	46,306

Unreserved:

General Fund	630,930
Road Fund	87,377
Jail Fund	626,648
Local Government Economic Assistance Fund	52,238
Occupational Tax Fund	1,051,211
Local Government Development Fund	1,902
Bond Escrow Fund	3,897

Total Liabilities and Fund Balances	<u>\$ 9,422,141</u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

LAUREL COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1999

<u>Cash Receipts</u>	<u>Totals (Memorandum Only)</u>	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Jail Fund</u>
Schedule of Operating Revenue	\$ 12,823,373	\$ 3,219,024	\$ 1,838,792	\$ 2,856,582
Transfers In	1,094,111		250,000	106,588
Jail Commissary Fund Receipts	488,549			
Total Cash Receipts	<u>\$ 14,406,033</u>	<u>\$ 3,219,024</u>	<u>\$ 2,088,792</u>	<u>\$ 2,963,170</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 12,613,310	\$ 2,789,416	\$ 1,972,336	\$ 2,424,190
Jail Commissary Fund Expenditures	481,553			
Transfers Out	1,094,111	825,995	108,116	
Bonds:				
Principal Paid	215,000			
Interest Paid	326,759			
Sheriff Loan Repaid	83,000	83,000		
Kentucky Infrastructure Authority - Principal	38,220			
Note-Industrial Development Authority	133,000			
Total Cash Disbursements	<u>\$ 14,984,953</u>	<u>\$ 3,698,411</u>	<u>\$ 2,080,452</u>	<u>\$ 2,424,190</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	<u>\$ (578,920)</u>	<u>\$ (479,387)</u>	<u>\$ 8,340</u>	<u>\$ 538,980</u>
Cash Balance - July 1, 1998	<u>3,908,378</u>	<u>1,110,317</u>	<u>79,037</u>	<u>87,668</u>
Cash Balance - June 30, 1999	<u><u>\$ 3,329,458</u></u>	<u><u>\$ 630,930</u></u>	<u><u>\$ 87,377</u></u>	<u><u>\$ 626,648</u></u>

The accompanying notes are an integral part of the financial statements.

LAUREL COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
Fiscal Year Ended June 30, 1999  
(Continued)

Jail Commissary Fund	Local Government Economic Assistance Fund	Federal Grants Fund	Forest Fire Protection Fund	Occupational Tax Fund	CDBG Payback Grant Fund
\$	\$ 55,572	\$ 219,105	\$ 1,824 2,200	\$ 3,892,469 290,000	\$ 537,057
488,549					
\$ 488,549	\$ 55,572	\$ 219,105	\$ 4,024	\$ 4,182,469	\$ 537,057
\$	\$ 25,031	\$ 219,105	\$ 2,232	\$ 4,860,325	\$ 290,675
481,553				130,000	
					38,220 133,000
\$ 481,553	\$ 25,031	\$ 219,105	\$ 2,232	\$ 4,990,325	\$ 461,895
\$ 6,996 24,905	\$ 30,541 21,697	\$ 0	\$ 1,792 4,333	\$ (807,856) 1,859,067	\$ 75,162 185,871
\$ 31,901	\$ 52,238	\$ 0	\$ 6,125	\$ 1,051,211	\$ 261,033

LAUREL COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Local Government Economic Development Fund	Camp Wildcat Preservation Fund	Bond Escrow Fund	Laurel County Courthouse Annex, Inc., Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 47	\$ 76,306	\$ 96	\$ 126,499
Transfers In		30,000		415,323
Jail Commissary Fund Receipts				
Total Cash Receipts	<u>\$ 47</u>	<u>\$ 106,306</u>	<u>\$ 96</u>	<u>\$ 541,822</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$	\$ 30,000	\$	\$
Jail Commissary Fund Expenditures				
Transfers Out		30,000		
Bonds:				
Principal Paid				215,000
Interest Paid				326,759
Sheriff Loan Repaid				
Kentucky Infrastructure Authority - Principal				
Note-Industrial Development Authority				
Total Cash Disbursements	<u>\$ 0</u>	<u>\$ 60,000</u>	<u>\$ 0</u>	<u>\$ 541,759</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 47	\$ 46,306	\$ 96	\$ 63
Cash Balance - July 1, 1998	<u>1,855</u>		<u>3,801</u>	<u>529,827</u>
Cash Balance - June 30, 1999	<u>\$ 1,902</u>	<u>\$ 46,306</u>	<u>\$ 3,897</u>	<u>\$ 529,890</u>



LAUREL COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 1999

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Laurel County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, management has included the Jail Commissary Fund, the Occupational Tax Fund, the Laurel County Courthouse Annex, Inc. Fund, and the CDBG Payback Grant Fund as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Laurel County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

LAUREL COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1999  
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Laurel County Water District is considered to be a related organization of the Laurel County Fiscal Court.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

LAUREL COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1999  
(Continued)

Note 3. Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of June 30, 1999, \$207,215 of the county's deposits of public funds with First National Bank were uninsured and unsecured. The pledged collateral and FDIC insurance did not equal or exceed the amount on deposit. In addition, the county did not have a written agreement with the depository institution.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county's name	\$ 2,680,024
Uncollateralized and uninsured	<u>207,215</u>
Total	<u><u>\$ 2,887,239</u></u>

Note 4. Long-Term Receivables

- A. On October 5, 1988, Laurel County loaned Chaney Lumber Company, Inc. the proceeds from a Community Development Block Grant in the amount of \$170,000. The loan was for a period of 15 years, at 4 percent interest. Terms specify 180 equal monthly payments in the amount of \$1,257; the first payment was due November 5, 1988. As of June 30, 1999, Chaney Lumber Company, Inc., is in substantial compliance with the terms of the loan agreement.

Principal Balance Due County at June 30, 1999	\$ 60,988
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- B. On October 5, 1988, Laurel County loaned Laminated Timber, Inc. the proceeds from a Community Development Block Grant in the amount of \$80,000. The loan was for a period of 15 years, at 4 percent interest. Terms specify 180 equal monthly payments in the amount of \$592; the first payment was due November 5, 1988. As of June 30, 1999, Laminated Timber, Inc. is in substantial compliance with the terms of the loan agreement.

Principal Balance Due County at June 30, 1999	\$ 29,199
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LAUREL COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 1999  
 (Continued)

Note 4. Long-Term Receivables (Continued)

- C. On August 4, 1989, Laurel County loaned Accent Marble, Inc. the proceeds from an Industrial Development Fund in the amount of \$100,000. The loan was for a period of 10 years, at 6 percent interest. Terms specify 120 equal monthly payments in the amount of \$1,110; the first payment was due September 4, 1989. As of June 30, 1999, Accent Marble, Inc. is in substantial compliance with the terms of the loan agreement.

Principal Balance Due County at June 30, 1999 \$ 4,385

- D. On May 24, 1991, Laurel County loaned Begley Lumber Company, Inc. the proceeds from an Industrial Development Fund in the amount of \$350,000. The loan was for a period of 10 years, at 7 percent interest. Terms specify 120 equal monthly payments in the amount of \$4,065; the first payment was due November 30, 1992. As of June 30, 1999, Begley Lumber Company, Inc. is in substantial compliance with the terms of the loan agreement.

Principal Balance Due County at June 30, 1999 \$ 147,836

- E. On October 30, 1992, Laurel County loaned Begley Lumber Company, Inc. the proceeds from an Industrial Development Fund in the amount of \$64,000. The loan was for a period of 10 years, at 7 percent interest. Terms specify 120 equal monthly payments in the amount of \$743; the first payment was due November 30, 1992. As of June 30, 1999, Begley Lumber Company, Inc. is in substantial compliance with the terms of the loan agreement.

Principal Balance Due County at June 30, 1999 \$ 27,033

- F. On April 22, 1994, Laurel County loaned NuWay Manufacturing, Inc. the proceeds from an Industrial Development Fund in the amount of \$42,500. The loan was for a period of 7 years, at 5 percent interest. Terms specify 84 equal monthly payments in the amount of \$601; the first payment was due May 22, 1994. As of June 30, 1999, NuWay Manufacturing, Inc. was in substantial compliance with the terms of the loan agreement.

Principal Balance Due County at June 30, 1999 \$ 13,149

- G. On January 15, 1995, Laurel County loaned Highland Diversified Services, Inc. the proceeds from an Industrial Development Fund in the amount of \$150,000. The loan was for a period of 5 years, at 6 percent interest. Terms specify 60 equal monthly payments in the amount of \$2,900; the first payment was due February 4, 1995. As of June 30, 1999, Highland Diversified Services, Inc. is in substantial compliance with the terms of the loan agreement.

Principal Balance Due County at June 30, 1999 \$ 17,099

- H. On May 26, 1995, Laurel County loaned Ulrich Cabinet and Woodworking the proceeds from an Industrial Development Fund in the amount of \$10,000. The loan was for a period of 5 years, at 5 percent interest. Terms specify with 60 equal monthly payments in the amount of \$189; the first payment was due June 18, 1995. As of June 30, 1999, Ulrich Cabinet and Woodworking is in substantial compliance with the terms of the loan agreement.

Principal Balance Due County at June 30, 1999 \$ 2,383

LAUREL COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1999  
(Continued)

Note 4. Long-Term Receivables (Continued)

- I. On December 1, 1996, Laurel County loaned London Rotary Forms Company the proceeds from an Industrial Development Fund in the amount of \$75,000. The loan was for a period of 5 years, at 5 percent interest. Terms specify 60 equal monthly payments in the amount of \$1,416; the first payment was due January 3, 1997. As of June 30, 1999, London Rotary Forms Company is in substantial compliance with the terms of the loan agreement.

Principal Balance Due County at June 30, 1999	\$ 39,846
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- J. On September 10, 1997, Laurel County loaned Nu-Legend Boat Company the proceeds from an Industrial Development Fund in the amount of \$45,000. The loan was for a period of 5 years, at 5 percent interest. Terms specify 60 equal monthly payments in the amount of \$849; the first payment was due October 15, 1997. As of June 30, 1999, Nu-Legend Boat Company is not in compliance with the terms of the loan agreement.

Principal Balance Due County at June 30, 1999	\$ 41,603
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- K. On November 4, 1998, Laurel County loaned Bengé Trucking, Inc. the proceeds from the Industrial Authority's portion of the Occupational Tax Fund in the amount of \$390,000. The loan is to be administered by the London-Laurel County Industrial Authority, Inc. Pay-back of funds will go to the London-Laurel County Industrial Authority, Inc. for support. We could not determine the terms of this loan agreement. No payments had been made on this loan as of June 30, 1999; however, \$120,000 was paid on September 30, 1999.

Principal Balance Due at June 30, 1999	\$ <u>390,000</u>
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Total Long-Term Notes Receivables	\$ <u>773,521</u>
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Note 5. Long-Term Debt

- A. The following bonds are outstanding in the Laurel County Courthouse Annex, Inc. Fund:

1. On August 1, 1990, Laurel County entered into an agreement with the Laurel County Courthouse Annex, Inc. to lease buildings from the company on a yearly basis. The buildings leased are Laurel County Courthouse Annex 1 and 2 and the Laurel County Detention Center.

LAUREL COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1999  
(Continued)

Note 5. A. 1. Long-Term Debt (Continued)

The county's obligation is to make lease payments to the corporation in an amount adequate to meet the maturing principal and interest payments of the notes and bonds of the corporation. On July 20, 1993, bonds were issued in the amount of \$5,570,000. The following is a schedule of principal and interest due:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
June 22, 1905	\$ 281,208	\$ 150,000
June 23, 1905	\$ 274,083	160,000
June 24, 1905	\$ 266,163	170,000
June 25, 1905	\$ 257,663	180,000
June 26, 1905	\$ 248,393	185,000
2005-2018	\$ 2,031,055	<u>4,060,000</u>
Bonds Outstanding at June 30, 1999		<u>\$ 4,905,000</u>

2. On September 1, 1992, the Laurel County Courthouse Annex, Inc. Fund, acting as the agent of Laurel County, issued \$1,000,000 in bonds designated as "Laurel County Courthouse Annex, Inc. Public Project Revenue Bonds, Series 1992." Proceeds of the bonds were applied to pay the costs of construction, reconstruction, and repair of certain public roads. The following is a schedule of principal and interest due:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
June 22, 1905	\$ 34,255	\$ 90,000
June 23, 1905	\$ 28,810	90,000
June 24, 1905	\$ 23,120	95,000
June 25, 1905	\$ 17,025	100,000
June 26, 1905	\$ 10,675	100,000
June 27, 1905	\$ 3,738	<u>115,000</u>
Bonds Outstanding at June 30, 1999		<u>\$ 590,000</u>
Total Bonds Outstanding at June 30, 1999		<u><u>\$ 5,495,000</u></u>

B. The following loan is outstanding in the CDBG Pay-Back Grant Fund:

Laurel County entered into a loan agreement with the Kentucky Infrastructure Authority, the proceeds from which were used to develop an industrial site for Begley Lumber Company. Revolving loan payments from Begley Lumber Company have been deemed sufficient to meet the debt service obligations of the loan. The loan is for a period of 10 years, at 3.3 percent interest. Terms specify 20, semiannual payments of \$18,914; the first payment was due December 4, 1994. The original amount of the loan was \$319,969.

Principal Balance Due the Kentucky Infrastructure Authority at June 30, 1999	\$ 173,046
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LAUREL COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1999  
(Continued)

Note 5. Long Term Debt (Continued)

B. On January 28, 1999, the Laurel County Fiscal Court approved the payment on behalf of Laurel County Industrial Development Authority in the amount of approximately \$500,000. Monthly payments of \$19,000 are to be made from the CDBG pay-back receipts. The loan funds are the county's share of matching money for grants to extend roads in the Industrial Park and build a day care center. The county paid \$133,000, including principal and interest of \$119,962 and \$13,038, respectively. The balance as of June 30, 1999 was \$380,038.

Note 6. Lease Obligations:

The County entered into the following lease purchase agreements:

Item Purchased	Payment Amount	Terms of Agreement	Ending Date	Balance June 30, 1999
Case Tractor	\$ 900	36 Months	July 2000	\$ 10,464
Case International Tractor	\$ 680	46 Months	January 2000	\$ 10,816
Wheel Loader	\$ 2,097	48 Months	July 2000	\$ 49,203
Van	\$ 587	48 Months	March 2003	\$ 27,627
Grader	\$ 2,456	48 Months	November 2001	\$ 66,950

Note 7. Commitments and Contingencies

As of June 30, 1999, Laurel County is contingently liable for bonds issued on December 1, 1998 at 5 percent interest by the Laurel County Care for the Elderly Facilities Public Properties Corporation. The balance at June 30, 1999 was \$6,590,000. The bonds will be fully amortized November 1, 2028.

Note 8. Insurance

For the fiscal year ended June 30, 1999, Laurel County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payments of the excess losses.

Note 9. Subsequent Events

Dallas Benge Trucking, Inc. paid the Laurel County Fiscal Court \$120,000 on September 30, 1999, which represented part of a loan repayment. A loan repayment schedule was set up for the remaining \$270,000, at one-half (.5) percent interest for a period of 180 months beginning January 1, 2000.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



LAUREL COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1999

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
General Fund	\$ 2,364,611	\$ 3,219,024	\$ 854,413
Road and Bridge Fund	2,019,481	1,838,792	(180,689)
Jail Fund	2,775,234	2,856,582	81,348
Local Government Economic Assistance Fund	62,400	55,572	(6,828)
Federal Grant Fund	2,223,000	219,105	(2,003,895)
Forest Fire Protection Fund	3,780	1,824	(1,956)
Occupational Tax Fund	5,478,028	3,892,469	(1,585,559)
CDBG Payback Grant Fund	685,655	537,057	(148,598)
Local Government Economic Development Fund	50,250	47	(50,203)
Camp Wildcat Preservation Fund	64,600	76,306	11,706
Totals	<u>\$ 15,727,039</u>	<u>\$ 12,696,778</u>	<u>\$ (3,030,261)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 15,727,039
Add: Budgeted Prior Year Surplus	<u>941,300</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 16,668,339</u>

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SCHEDULE OF OPERATING REVENUE

LAUREL COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
Revenue From Local Taxes <u>and Excess Fees</u>				
Sheriff:				
Taxes	\$ 991,008	\$ 991,008	\$	\$
Tourism Room Tax	301,798	301,798		
Forest Fire	1,649			
County Clerk:				
Motor Vehicle Taxes	197,097	197,097		
Deed Transfer Tax	95,036	95,036		
Delinquent Taxes	75,027	75,027		
Excess Fees - 1998	335,563	335,563		
Tangible Personal Property Taxes:				
Other Counties	52,971	52,971		
Occupational Employment Tax	3,134,536			
Net Profits Fee/Tax	707,643			
Franchise Tax	92,905	92,905		
Bank Deposit Franchise Tax	103,048	103,048		
911 Tax	183,344	183,344		
Totals	<u>\$ 6,271,625</u>	<u>\$ 2,427,797</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>U.S. Treasurer</u>				
Timberland Tax	<u>\$ 33,710</u>	<u>\$ 33,710</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Federal Receipts - State Treasurer</u>				
Disaster and Emergency Assistance				
Grants - Coordinator Salary	\$ 3,124	\$ 3,124	\$	\$
Chemical Stockpile Emergency				
Preparedness Program	4,140	4,140		
Federal Prisoners	354,839			354,839
Community Development Block				
Grants -				
Capital Projects	219,105			
National Forestry Receipts	36,083		36,083	
Totals	<u>\$ 617,291</u>	<u>\$ 7,264</u>	<u>\$ 36,083</u>	<u>\$ 354,839</u>

LAUREL COUNTY  
SCHEDULE OF OPERATING REVENUE  
Fiscal Year Ended June 30, 1999  
(Continued)

<u>Jail Commissary Fund</u>	<u>Local Government Economic Assistance Fund</u>	<u>Federal Grants Fund</u>	<u>Forest Fire Protection Fund</u>	<u>Occupant- tional Tax Fund</u>	<u>CDBG Payback Grant Fund</u>
\$	\$	\$	\$	\$	\$
			1,649		
				3,134,536 707,643	
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,649</u>	<u>\$ 3,842,179</u>	<u>\$ 0</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$	\$	\$	\$	\$	\$
		219,105			
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 219,105</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

LAUREL COUNTY  
SCHEDULE OF OPERATING REVENUE  
Fiscal Year Ended June 30, 1999  
(Continued)

Local Government Economic Development Fund	Camp Wildcat Preservation Fund	Bond Escrow Fund	Laurel County Courthouse Annex, Inc. Fund
\$	\$	\$	\$
\$ 0	\$ 0	\$ 0	\$ 0
\$ 0	\$ 0	\$ 0	\$ 0
\$	\$	\$	\$
\$ 0	\$ 0	\$ 0	\$ 0



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LAUREL COUNTY  
SCHEDULE OF OPERATING REVENUE  
Fiscal Year Ended June 30, 1999  
(Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 190,828	\$	\$	\$ 190,828
Medical Allotments	11,559			11,559
Driving Under The Influence Fees	14,515			14,515
Controlled Intake	1,856,243			1,856,243
Court Costs/Jail Operation	58,460			58,460
Jail Contract with Other Counties	128,859			128,859
County Road Aid	1,040,954		1,040,954	
Truck License Distribution	161,448		161,448	
Transportation Department	537,762		537,762	
Election Expense Reimbursement	19,890	19,890		
Strip Mine Permits	20,942	20,942		
State Annex Reimbursement	74,897	74,897		
Transportation Cabinet-				
Other Cultural Refunds	76,000			
Administrative Office of the Courts-				
Courthouse Rental	184,800	90,800		
Adoptions Project	9,167	9,167		
Refunds:				
Legal Process Tax	343	343		
Drivers Licenses	4,888		4,888	
Dog Licenses	223	223		
Severance Taxes:				
Coal	53,177			
Mineral	1,545			
Board of Assessments	900	900		
Grants:				
State Grants (Area Development Fund)	63,000	63,000		
Disaster and Emergency Services Reimbursement	8,452	8,452		
Totals	<u>\$ 4,518,852</u>	<u>\$ 288,614</u>	<u>\$ 1,745,052</u>	<u>\$ 2,260,464</u>

LAUREL COUNTY  
SCHEDULE OF OPERATING REVENUE  
Fiscal Year Ended June 30, 1999  
(Continued)

<u>Jail Commissary Fund</u>	<u>Local Government Economic Assistance Fund</u>	<u>Federal Grants Fund</u>	<u>Forest Fire Protection Fund</u>	<u>Occupant- tional Tax Fund</u>	<u>CDBG Payback Grant Fund</u>
\$	\$	\$	\$	\$	\$
	53,177				
	1,545				
<u>\$ 0</u>	<u>\$ 54,722</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

SCHEDULE OF OPERATING REVENUE  
Fiscal Year Ended June 30, 1999  
(Continued)

Local Government Economic Development Fund	Camp Wildcat Preservation Fund	Bond Escrow Fund	Laurel County Courthouse Annex, Inc. Fund
\$	\$	\$	\$
	76,000		94,000
\$ 0	\$ 76,000	\$ 0	\$ 94,000

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LAUREL COUNTY  
 SCHEDULE OF OPERATING REVENUE  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Miscellaneous Revenue</u>				
Interest	\$ 149,964	\$ 37,859	\$ 17,632	\$ 9,533
Circuit Court Clerk:				
Jail Cost				
Boarding Fees				
Serving Papers				
Work Release	36,602			36,602
Court Settlements-Juveniles	2,465	1,300		1,165
Medical Reimbursements				
Jail:				
Telephone Commission Refunds	115,944			115,944
Bond Acceptance Fees	5,667			5,667
Cable TV Franchise Fees	183,626	183,626		
Garbage Franchise Fees	209,766	209,766		
Community Development				
Block Grant-				
Loan Repayments	533,784			
Voided Checks	1,678	452	525	701
Dispatch Reimbursements	15,000	15,000		
Other Reimbursements	20,618	13,210	1,613	5,795
Vending Machine Commissions	292			292
Sale of Equipment	30,513		30,513	
Other Revenue	65,580			65,580
Miscellaneous Items	10,396	426	7,374	
Totals	\$ 1,381,895	\$ 461,639	\$ 57,657	\$ 241,279
Total Operating Revenue	<u>\$ 12,823,373</u>	<u>\$ 3,219,024</u>	<u>\$ 1,838,792</u>	<u>\$ 2,856,582</u>

LAUREL COUNTY  
 SCHEDULE OF OPERATING REVENUE  
 Fiscal Year Ended June 30, 1999  
 (Continued)

<u>Jail Commissary Fund</u>	<u>Local Government Economic Assistance Fund</u>	<u>Federal Grants Fund</u>	<u>Forest Fire Protection Fund</u>	<u>Occupant- tional Tax Fund</u>	<u>CDBG Payback Grant Fund</u>
\$	\$ 850	\$	\$ 175	\$ 47,694	\$ 3,273
					533,784
				2,596	
<u>\$ 0</u>	<u>\$ 850</u>	<u>\$ 0</u>	<u>\$ 175</u>	<u>\$ 50,290</u>	<u>\$ 537,057</u>
<u>\$ 0</u>	<u>\$ 55,572</u>	<u>\$ 219,105</u>	<u>\$ 1,824</u>	<u>\$ 3,892,469</u>	<u>\$ 537,057</u>

LAUREL COUNTY  
 SCHEDULE OF OPERATING REVENUE  
 Fiscal Year Ended June 30, 1999  
 (Continued)

Local Government Economic Development Fund	Camp Wildcat Preservation Fund	Bond Escrow Fund	Laurel County Courthouse Annex, Inc. Fund
\$ 47	\$ 306	\$ 96	\$ 32,499
<u>\$ 47</u>	<u>\$ 306</u>	<u>\$ 96</u>	<u>\$ 32,499</u>
<u>\$ 47</u>	<u>\$ 76,306</u>	<u>\$ 96</u>	<u>\$ 126,499</u>



COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



LAUREL COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1999

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 55,342	\$ 55,343	\$ (1)
Deputy County Judge/Executive	22,800	25,148	(2,348)
Office Materials and Supplies	15,000	22,639	(7,639)
New Software		9,930	(9,930)
Bond	500	355	145
Postage	3,000	2,887	113
Office of County Attorney:			
Salaries-			
County Attorney	35,650	34,820	830
Secretaries	32,400	32,327	73
Other Salaries	18,200	18,123	77
Office of County Clerk:			
Office Materials and Supplies		1,580	(1,580)
Tax Bill Preparation	11,000	11,671	(671)
Bond		1,343	(1,343)
Office of Sheriff:			
Support	25,000	25,000	
Refund	663	663	
Office of County Coroner:			
Salaries-			
County Coroner	14,000	14,000	
Deputy Coroner	10,800	7,800	3,000
Autopsies and Attendant Service	3,500	2,113	1,387
Uniforms	633	633	
Reimbursements	4,000	5,808	(1,808)

LAUREL COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Fiscal Court:			
Magistrates-			
Salaries	\$ 98,700	\$ 98,614	\$ 86
Office Staff	44,450	52,497	(8,047)
Expense	14,400	16,800	(2,400)
Registration/Training	4,009	8,835	(4,826)
Legal Fees	23,208	42,561	(19,353)
Legal Fees-Other	2,000	1,110	890
Fiscal Court Clerk Salary	5,400	13,435	(8,035)
Office of Property Valuation Administrator:			
Statutory Contribution	57,000	56,800	200
Office of Board of Assessment Appeals:			
Per Diem	2,400	1,800	600
Office of County Treasurer:			
County Treasurer Salary	30,000	32,613	(2,613)
Bond	4,000	3,129	871
County Law Library:			
Law Librarian Salary	1,200	1,200	
Elections:			
Per Diem-			
Election Commissioners	7,500	8,750	(1,250)
Election Officers	40,000	47,100	(7,100)
Election Labor	2,000	325	1,675
Election Rent	6,000	5,850	150
Election Supplies	575	575	
Election Printing	13,077	18,018	(4,941)
Election Building Repair	1,000	105	895
Voting Machine Lease Payment	232	9,232	(9,000)

LAUREL COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Planning and Zoning:			
Salaries	\$ 3,300	\$ 2,725	\$ 575
Per Diem	3,600	3,775	(175)
Courthouse:			
Janitor Salaries	32,000	25,207	6,793
Improvements or New Construction	40,000	18,752	21,248
Materials and Supplies	7,000	7,502	(502)
Telephone	12,000	9,685	2,315
Utilities	25,000	18,272	6,728
Other County Properties:			
Broad Street Annex-			
Janitor Salaries	20,000	28,329	(8,329)
Supplies	3,000	2,804	196
Repairs	10,000	3,659	6,341
Telephone	3,500	2,213	1,287
Utilities	15,000	11,917	3,083
Annex #5 West Fifth Street-			
Janitor/Maintenance Salaries	20,000	19,406	594
Supplies	1,000	759	241
Repairs	5,000	2,385	2,615
Telephone	1,500	632	868
Utilities	10,000	1,495	8,505
Annex #1 and #2-			
Janitor/Maintenance Salaries	32,000	31,043	957
Supplies	7,500	2,763	4,737
Other Supplies	1,000	715	285
Repairs	10,000	3,973	6,027
Utilities	15,000	17,239	(2,239)

LAUREL COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Protection to Persons and Property</u>			
County Jail:			
Computer Development	\$ 22,845	\$ 22,845	\$
Office of Sheriff:			
Vehicle Leases	39,256	39,256	
Constables:			
Expense	9,600	5,800	3,800
Rescue Squad:			
Salaries	8,306	8,306	
Civil Air Patrol	2,000	2,000	
Motor Vehicle		6,000	(6,000)
Disaster and Emergency Services:			
Appointments	12,500	12,750	(250)
Materials and Supplies	5,000	6,008	(1,008)
C.S.E.P.P. Project	19,812	20,234	(422)
Reimbursements	1,500	418	1,082
Ambulance Service:			
Support	75,000	75,000	
Machinery and Equipment		18,535	(18,535)
Emergency Medical Services	26,780	26,780	
Emergency Dispatch:			
911 Telephone Fees	174,000	178,132	(4,132)
Support	98,250	98,250	
Office of Commonwealth Attorney:			
Support		11,667	(11,667)
Office of Public Advocacy:			
Program Support	5,430	5,430	

LAUREL COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Health and Sanitation</u>			
Dog Control:			
Officer Salary	\$ 22,573	\$ 44,554	\$ (21,981)
Laborer Salary	12,500	9,969	2,531
Vehicle Maintenance	1,000	146	854
Veterinary Services	3,000	148	2,852
Animal Food and Supplies	5,000	3,913	1,087
Registration and Training	500	25	475
Animal Shelter Repairs	3,000	270	2,730
Telephone	1,434	2,947	(1,513)
Utilities	3,000	3,189	(189)
Communication Equipment	1,000	353	647
Solid Waste Collection:			
Salaries-			
Supervisor	20,000	18,488	1,512
Laborers	15,000	17,693	(2,693)
Vehicle Maintenance	2,000	20	1,980
Work Release Food	8,057	17,410	(9,353)
Supplies	7,500	5,313	2,187
Solid Waste Projects	20,000	20,466	(466)
Registration and Training	500	415	85
Telephone	1,000	625	375
Communication Equipment	1,000	1,052	(52)
<u>Social Services</u>			
Health Services:			
Health/Hepatitis B	2,439	2,439	
Mental Health:			
Comprehensive Care Support	4,000	4,000	
Senior Citizens Program:			
Support	25,000	5,000	20,000
Services to Children and Youth:			
Dare Program Support	20,000		20,000

LAUREL COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Social Services</u> (Continued)			
Services to Children and Youth: (Continued)			
Special Projects	\$	\$ 25,000	\$ (25,000)
General Charity and Welfare:			
Pauper Burials	3,000		3,000
Community Cooperative Support	16,500	16,500	
Other Social Service Programs:			
Red Cross Support	10,000	10,000	
Victim's Assistance:			
Victim's Assistance Support	4,000	4,000	
Recreation and Culture:			
Program Support	85,866	85,866	
Parks:			
Support	40,500	40,500	
Tourist and Conventions:			
Motel Tax	301,798	301,798	
Other Cultural Programs:			
Cultural Support	13,000	14,500	(1,500)
Special Projects:			
Airport Special Projects	2,000	2,000	
Borrowed Money:			
Interest		5,565	(5,565)
Capital Projects:			
Land	87,333	87,333	



LAUREL COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Administration</u>			
Address/Map Supervisors	\$ 18,200	\$ 17,331	\$ 869
Clerk Social Security and Retirement	9,619	4,222	5,397
Audit	25,000	24,354	646
Insurance	112,919	112,919	
Membership Dues	5,000	2,847	2,153
Miscellaneous	1,000	739	261
Payments to Government Agencies	31,078		31,078
Contingent Appropriations:			
Reserve for Transfers	225,977		225,977
Fringe Benefits:			
County Contributions-			
Social Security	45,000	54,558	(9,558)
Retirement	165,000	225,437	(60,437)
Health Insurance	75,000	77,063	(2,063)
Worker's Compensation	125,000	65,933	59,067
Unemployment Insurance	15,000	8,323	6,677
Total Operating Budget	\$ 2,984,611	\$ 2,789,416	\$ 195,195
Other Financing Uses:			
Transfers to Public Properties			
Corporation Fund -	316,542	307,207	9,335
Borrowed Money			
Principal		83,000	(83,000)
Total General Fund	\$ 3,301,153	\$ 3,179,623	\$ 121,530
<u>ROAD AND BRIDGE FUND</u>			
<u>Roads</u>			
Office of Road Foreman:			
Road Foreman Salary	\$ 25,000	\$ 34,837	\$ (9,837)

LAUREL COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u> (Continued)			
<u>Roads</u> (Continued)			
Road Maintenance:			
Drug Testing	\$ 2,000	\$ 1,350	\$ 650
Office Supplies	1,000	1,115	(115)
Road Conference and Training	500	25	475
Garage Repairs	5,000	3,032	1,968
Telephone	5,000	4,301	699
Utilities	10,000	7,831	2,169
Miscellaneous	1,000	131	869
Road Workers Salaries	480,000	380,019	99,981
Administration Fee		5,178	(5,178)
Contracted Construction	921,641	1,188,577	(266,936)
Contracts With Private Agencies	9,219	9,219	
Gasoline	39,873	34,268	5,605
Machinery and Equipment-			
Repairs	45,000	24,328	20,672
New Road Machinery	15,000	8,330	6,670
Communication Equipment	3,173	4,068	(895)
General Maintenance	20,000	20,282	(282)
Pipes	40,000	55,412	(15,412)
Tires	17,000	14,202	2,798
Uniforms	5,000	4,049	951
Other Materials and Supplies	10,000	22,813	(12,813)
<u>Administration</u>			
General Services:			
Forestry Receipts	22,500	18,042	4,458
Bank Charges		5	(5)
Contingent Appropriations:			
Reserve for Budget Transfers	218,575		218,575
Fringe Benefits:			
County Contributions-			
Retirement	41,000	34,243	6,757
Social Security	37,000	28,674	8,326
Health Insurance	45,000	68,005	(23,005)

LAUREL COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u> (Continued)			
Total Operating Budget	\$ 2,019,481	\$ 1,972,336	\$ 47,145
Other Financing Uses:			
Transfers to Public Properties Corporation Fund	111,000	108,116	2,884
Total Road and Bridge Fund	\$ 2,130,481	\$ 2,080,452	\$ 50,029

JAIL FUND

Protection to Persons and Property

Office of Jailer:

    Personnel Services-

        Salaries-

Jailer	\$ 59,473	\$ 58,096	\$ 1,377
Jail Personnel	900,000	1,051,620	(151,620)
Temporary/Part-Time Personnel	36,000	11,258	24,742
Staff Training	3,000	3,825	(825)

Operations-

Cleaning Supplies	46,000	63,158	(17,158)
Food	300,000	295,920	4,080
Food Preparation	5,000	9,971	(4,971)
Gasoline	6,000	6,653	(653)
Jail Linens	8,000	6,489	1,511
Office Supplies	15,000	13,639	1,361
Prisoner Clothing	2,500	1,806	694
Prisoners Periodicals	500	163	337
Prisoner Hygiene	10,000	9,800	200
Routine Medical	5,000	1,477	3,523
Medical Services	230,000	193,634	36,366
Solid Waste	1,000	639	361
Staff Uniforms	20,000	21,828	(1,828)
Telephone	19,000	18,661	339
Contract with Other Counties	300,000	86,240	213,760
Contracts with Private Agency	40,000		40,000
Contracted Services		26	(26)
Other Contracted Services	1,241	1,241	
Transporting Juveniles	20,000	19,353	647

LAUREL COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND (Continued)</u>			
<u>Protection to Persons and Property</u> (Continued)			
Operations- (Continued)			
Vehicle Maintenance	\$ 3,282	\$ 7,388	\$ (4,106)
Pest Control	1,200	1,182	18
Postal Charges	2,000	2,365	(365)
Reimbursements	1,200	743	457
Utilities	126,000	120,708	5,292
Drug Enforcement		1305	(1,305)
Miscellaneous Operating Expense	1,000	913	87
Maintenance-			
Building Repairs	20,000	11,213	8,787
Equipment Repairs	25,000	33,054	(8,054)
Elevator Maintenance	4,800	5,072	(272)
Equipment-			
Law Enforcement Equipment	6,000	4,408	1,592
Communication Equipment	6,000	11,765	(5,765)
Data Processing Equipment	1,000	301	699
Food Service Equipment	4,000	7,370	(3,370)
Furniture and Fixtures	5,000	102	4,898
Motor Vehicles		77,011	(77,011)
Office Equipment	3,000	1,951	1,049
Plant Operation Equipment	8,000	8,235	(235)
Other Equipment	790	9,468	(8,678)
<u>Administration</u>			
General Services:			
Bond		817	(817)
Bank Charges	10	10	
Contingent Appropriations:			
Reserve for Budget Transfers	374,238		374,238
Fringe Benefits:			
County Contributions-			
Retirement		217	(217)
Social Security	70,000	77,565	(7,565)

LAUREL COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u> (Continued)			
<u>Administration</u> (Continued)			
Fringe Benefits: (Continued)			
Health Insurance	\$ 60,000	\$ 148,597	\$ (88,597)
Unemployment Insurance	25,000	16,933	8,067
Total Jail Fund	<u>\$ 2,775,234</u>	<u>\$ 2,424,190</u>	<u>\$ 351,044</u>
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u>			
<u>Transportation Facilities and Services</u>			
Road Maintenance:			
Contracted Construction	\$ 61,900	\$ 25,031	\$ 36,869
Contingent Appropriations:			
Reserve for Budget Transfers	<u>500</u>	<u></u>	<u>500</u>
Total Local Government Economic Assistance Fund	<u>\$ 62,400</u>	<u>\$ 25,031</u>	<u>\$ 37,369</u>
<u>FEDERAL GRANTS FUND</u>			
<u>Capital Projects:</u>			
Capitol Project #1	\$ 2,189,895		\$ 2,189,895
Capitol Project #2	33,105	219,105	(186,000)
Total Federal Grants Fund	<u>\$ 2,223,000</u>	<u>\$ 219,105</u>	<u>\$ 2,003,895</u>
<u>FORESTRY FUND</u>			
<u>Protection to Persons and Property</u>			
Forestry Fire Protection	\$ 3,730	\$ 2,232	\$ 1,498
General Services:			
Bank Charges	<u>50</u>	<u></u>	<u>50</u>
Total Forestry Fund	<u>\$ 3,780</u>	<u>\$ 2,232</u>	<u>\$ 1,548</u>

LAUREL COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>OCCUPATIONAL TAX FUND</u>			
<u>General Government</u>			
Office of the Tax Administrator:			
Salaries-			
Occupational Tax Assistant	\$ 20,100	\$ 23,445	\$ (3,345)
Occupational License Administrator	32,375	38,521	(6,146)
Part-Time Wages	6,000	8,063	(2,063)
Expense Allowance	10,300	570	9,730
Legal Ad	2,000		2,000
Computer Software	2,000	180	1,820
Supplies	6,000	3,619	2,381
Bond	2,500	2,472	28
Postage	6,198	7,643	(1,445)
Reimbursements	1,701	1,879	(178)
Refunds	30,081	39,362	(9,281)
Conference/Training	1,000	1,551	(551)
Telephone	2,000	1,575	425
Travel	4,500		4,500
Miscellaneous		11	(11)
Equipment	3,000	895	2,105
Alliance Support	178,750	246,250	(67,500)
Alliance Insurance	65,000	40,605	24,395
Ambulance Support	56,250	93,750	(37,500)
Special Projects	910,259	910,259	
Cultural Preservation	30,000		30,000
Sheriff Support	128,862	193,294	(64,432)
Roads:			
Contracted Construction	1,290,359	1,750,916	(460,557)
Machinery and Equipment	100,000	16,500	83,500
Lease Payment	100,000	120,458	(20,458)

LAUREL COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>OCCUPATIONAL TAX FUND</u>			
<u>General Government</u> (Continued)			
Capital Projects:			
Capital Projects	\$ 1,300,000	\$ 542,000	\$ 758,000
Hydrants	2,461	2,461	
<u>Administration</u>			
General Services:			
Occupational Tax Payments	370,000	410,623	(40,623)
Bank Charges		10	(10)
Revolving Loan:			
Economic Development	390,000	390,000	
Contingent Appropriations:			
Reserve for Budget Transfers	683,377		683,377
Fringe Benefits:			
County Contributions-			
Retirement	5,575	5,199	376
Social Security	5,230	4,406	824
Health Insurance	3,450	3,808	(358)
Total Operating Budget	<u>\$ 5,749,328</u>	<u>\$ 4,860,325</u>	<u>\$ 889,003</u>
<u>LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND</u>			
<u>Capital Project</u>			
Industrial Land Improvement	<u>\$ 100,250</u>	<u>\$ 0</u>	<u>\$ 100,250</u>

LAUREL COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES  
Fiscal Year Ended June 30, 1999  
(Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>CDBG PAYBACK GRANT FUND</u>			
Economic Development:			
Economic Development Support	\$ 35,000	\$ 35,000	\$
Special Projects		1,655	(1,655)
Capital Projects:			
Land	272,000	254,020	17,980
Contingent Appropriations:			
Reserve for Budget Transfers	<u>378,655</u>	<u></u>	<u>378,655</u>
Total Operating Budget	\$ 685,655	\$ 290,675	\$ 394,980
Other Financing Uses:			
Kentucky Infrastructure Authority- Principal	\$ 40,000	\$ 38,220	1,780
Note-Industrial Development Authority	<u></u>	<u>133,000</u>	<u>(133,000)</u>
Total CDBG Payback Grant Fund	<u>\$ 725,655</u>	<u>\$ 461,895</u>	<u>\$ 263,760</u>
<u>CAMP WILDCAT PRESERVATION FUND</u>			
General Government:			
Other Cultural/Refunds	\$ 30,000	\$	\$ 30,000
Site Development	30,000	30,000	
Contingent Appropriations:			
Reserve for Budget Transfers	<u>4,600</u>	<u></u>	<u>4,600</u>
Total Camp Wildcat Preservation Fund	<u>\$ 64,600</u>	<u>\$ 30,000</u>	<u>\$ 34,600</u>
Total Operating Budget - All Funds	\$ 16,668,339	\$ 12,613,310	\$ 4,055,029
Other Financing Uses:			
Transfers to Public Properties			
Corporation Fund	427,542	415,323	12,219
Borrowed Money- Principal	<u></u>	<u>133,000</u>	<u>(133,000)</u>
TOTAL BUDGET - ALL FUNDS	<u>\$ 17,095,881</u>	<u>\$ 13,161,633</u>	<u>\$ 3,934,248</u>



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





## Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Jimmy Williams, Laurel County Judge/Executive  
Honorable Dennis Karr, Former Laurel County Judge/Executive  
Members of the Laurel County Fiscal Court

### Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Laurel County, Kentucky, as of and for the year ended June 30, 1999, and have issued our report thereon dated March 16, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether Laurel County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The County Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits
- All Economic Development Loans Should Be Administered In A Similar Manner
- The Fiscal Court Should Monitor Grants To Subrecipient

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Laurel County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Laurel County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations.

Honorable Jimmy Williams, Laurel County Judge/Executive  
Honorable Dennis Karr, Former Laurel County Judge/Executive  
Members of the Laurel County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following to be material weaknesses.

- All Economic Development Loans Should Be Administered In A Similar Manner
- The Fiscal Court Should Monitor Grants To Subrecipient

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
March 16, 2000

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133





## Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Jimmy Williams, Laurel County Judge/Executive  
Honorable Dennis Karr, Former Laurel County Judge/Executive  
Members of the Laurel County Fiscal Court

### Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133

#### Compliance

We have audited the compliance of Laurel County, Kentucky, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1999. Laurel County's major federal programs are identified in the schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Laurel County's management. Our responsibility is to express an opinion on Laurel County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Laurel County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Laurel County's compliance with those requirements.

In our opinion, Laurel County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as part C.

- The Fiscal Court Should Monitor Grants To Subrecipient

Honorable Jimmy Williams, County Judge/Executive  
Honorable Dennis Karr, Former Laurel County Judge/Executive  
Members of the Laurel County Fiscal Court  
Report On Compliance With Requirements Applicable To Each Major Program  
And Internal Control Over Compliance In Accordance With OMB Circular A-133  
(Continued)

#### Internal Control Over Compliance

The management of Laurel County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Laurel County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Laurel County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. This reportable condition is described in the accompanying schedule of findings and questioned costs as part B.

- The Fiscal Court Should Monitor Grants To Subrecipient

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable condition described above, we consider the following to be a material weakness.

- The Fiscal Court Should Monitor Grants To Subrecipient

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed –  
March 16, 2000



## FINDINGS AND QUESTIONED COSTS



LAUREL COUNTY  
FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 1999

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Laurel County.
2. Three reportable conditions disclosed during the audit of the financial statements are reported in the Independent Auditor's Report. Two of the conditions are reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of Laurel County were disclosed during the audit.
4. One of the reportable conditions disclosed during the audit of the major federal awards programs is reported in the Independent Auditor's Report. This condition is reported as a material weakness.
5. The auditor's report on compliance for the audit of the major federal award programs for Laurel County expresses an unqualified opinion.
6. Audit findings relative to the major federal awards programs for Laurel County are reported in Part C of this schedule.
7. The programs tested as major programs included: Appalachia High Intensity Drug Trafficking Area and Section 8 Rental Voucher Program.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Laurel County was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

1. All Economic Development Loans Should Be Administered In A Similar Manner

On November 4, 1998, the prior fiscal court voted to loan Dallas Benge Trucking, Inc. a sum of \$390,000 as a revolving loan for economic development. On November 6, 1998 and November 13, 1998, the prior fiscal court paid Dallas Benge Trucking, Inc. \$200,000 and \$190,000, respectively from the Occupational Tax Fund. We could not locate a payment schedule for the \$390,000 loan. On September 30, 1999, ten months after the loan, Dallas Benge Trucking, Inc. paid the county \$120,000 on this loan. The remaining loan balance of \$270,000 was put on a loan repayment schedule, with the first payment due January 1, 2000, at .5 (one-half) percent interest over a fifteen-year period. We question this economic development loan because there was no interest from November 1998 through January 2000, and once a repayment schedule was made, the interest rate was much lower than other loans made by the county. In order to promote fair competition and to avoid the appearance of preferential practices, we recommend all economic development loans made with taxpayer's funds have similar interest rates and repayment schedules.

*The County Judge's response:*

*This loan was made by prior administration. We agree that this was not fair to other companies in the county.*

LAUREL COUNTY  
FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 1999  
(Continued)

2. The Fiscal Court Should Monitor Grants To Subrecipient

The fiscal court passed \$3,732,415 of federal grant money to a subrecipient, the Financial Commission of the Appalachia High Intensity Drug Trafficking Area. The Fiscal Court did not monitor the Financial Commission of the Appalachia High Intensity Drug Trafficking Area's requirement to obtain an audit in accordance with OMB Circular A-133. As of March 10, 2000, the agency had not obtained an audit for fiscal year ended June 30, 1999. The award agreement requires the recipient to comply with the organizational audit requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." We recommend the county require all subrecipients to obtain an audit in accordance with A-133 audit report guidelines.

*The County Judge's response:*

*We will make sure this is audited and we will get a copy of the report for our files.*

NONCOMPLIANCES

1. The County Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

On June 30, 1999, \$207,215 of the county's deposits of public funds with First National Bank were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The county should require the depository institutions to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the county enter into a written agreement with the depository institutions to secure the county's interest in the collateral pledged or provided by the depository institutions. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institutions.

*The County Judge's response:*

*We didn't know about this until now. We now have a written agreement and will try to keep up with this in the future.*

LAUREL COUNTY  
FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 1999  
(Continued)

2. All Economic Development Loans Should Be Administered In A Similar Manner

On November 4, 1998, the prior fiscal court voted to loan Dallas Benge Trucking, Inc. a sum of \$390,000 as a revolving loan for economic development. On November 6, 1998 and November 13, 1998, the prior fiscal court paid Dallas Benge Trucking, Inc. \$200,000 and \$190,000, respectively from the Occupational Tax Fund. We could not locate a payment schedule for the \$390,000 loan. On September 30, 1999, ten months after the loan, Dallas Benge Trucking, Inc. paid the county \$120,000 on this loan. The remaining loan balance of \$270,000 was put on a loan repayment schedule, with the first payment due January 1, 2000, at .5 (one-half) percent interest over a fifteen-year period. We question this economic development loan because there was no interest from November 1998 through January 2000, and once a repayment schedule was made, the interest rate was much lower than other loans made by the county. In order to promote fair competition and to avoid the appearance of preferential practices, we recommend all economic development loans made with taxpayer's funds have similar interest rates and repayment schedules.

*The County Judge's response:*

*This loan was made by prior administration. We agree that this was not fair to other companies in the county.*

3. The Fiscal Court Should Monitor Grants To Subrecipient

The fiscal court passed \$3,732,415 of federal grant money to a subrecipient, the Financial Commission of the Appalachia High Intensity Drug Trafficking Area. The Fiscal Court did not monitor the Financial Commission of the Appalachia High Intensity Drug Trafficking Area's requirement to obtain an audit in accordance with OMB Circular A-133. As of March 10, 2000, the agency had not obtained an audit for fiscal year ended June 30, 1999. The award agreement requires the recipient to comply with the organizational audit requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." We recommend the county require all subrecipients to obtain an audit in accordance with A-133 audit report guidelines.

*The County Judge's response:*

*We will make sure this is audited and we will get a copy of the report for our files.*

LAUREL COUNTY  
FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 1999  
(Continued)

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM  
AUDIT

The Fiscal Court Should Monitor Grants To Subrecipient

The fiscal court passed \$3,732,415 of federal grant money to a subrecipient, the Financial Commission of the Appalachia High Intensity Drug Trafficking Area. The Fiscal Court did not monitor the Financial Commission of the Appalachia High Intensity Drug Trafficking Area's requirement to obtain an audit in accordance with OMB Circular A-133. As of March 10, 2000, the agency had not obtained an audit for fiscal year ended June 30, 1999. The award agreement requires the recipient to comply with the organizational audit requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." We recommend the county require all subrecipients to obtain an audit in accordance with A-133 audit report guidelines.

*The County Judge's response:*

*We will make sure this is audited and we will get a copy of the report for our files.*

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS





LAUREL COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 1999

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>Cash Programs</u>		
<u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State Department of Local Government:		
Community Development Block Grants-		
Section 8 Rental Voucher Program (CFDA #14.855)	Not Available	\$ 668,621 *
Section 8 Rental Certificate Program (CFDA #14.857)	Not Available	298,963
Community Development Block Grant- Vaughn Ridge Industrial Site (CFDA #14.228)	Not Available	<u>219,105</u>
Total U.S. Department of Housing and Urban Development		\$ 1,186,689
<u>U.S. Department of Justice</u>		
U.S. Office of National Drug Control Policy High Intensity Drug Trafficking Areas (18PAP50I)	Not Available	3,732,415 *
<u>U.S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Disaster and Emergency Assistance Grants-		
Coordinator Salary (CFDA #83.503)	Not Available	<u>7,264</u>
Total Cash Expenditures of Federal Awards		<u>\$ 4,926,368</u>

\* Major Program – Type A

LAUREL COUNTY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 1999

Note 1 - Basis of Presentation

This schedule is presented on a cash basis.

Note 2 - As required by this grant agreement, all program moneys received by the recipient after the completion of all recipient grant activities shall be used by the recipient for community or economic development activities eligible for assistance under Title I of the Housing and Community Development Act of 1974, so specified in the Commonwealth of Kentucky's Community Development Block Grant Eligible Activities Policy Statement.

Note 3 - The federal expenditures for Laurel County include grants to subrecipients as follows:

<u>Subrecipient</u>	<u>Pass-through Grant Amount</u>
The Financial Commission for the Appalachia High Intensity Drug Trafficking Area	\$ 3,732,415

As of audit report date, the subrecipient had not obtained an audit for fiscal year ending June 30, 1999.

Note 4 - Section 8 Housing Assistance Payments Program was audited by another auditor and is included in this schedule. Their report thereon has been furnished to us and is included as Appendix B.

CERTIFICATION OF COMPLIANCE – LOCAL  
GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

LAUREL COUNTY FISCAL COURT

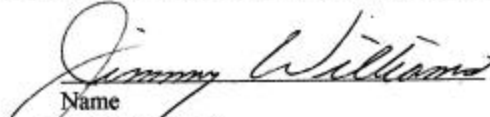
Fiscal Year Ended June 30, 1999



CERTIFICATON OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC DEVELOPMENT PROGRAM  
LAUREL COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1999

The Laurel County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Fund was expended for the purpose intended, as dictated by the applicable Kentucky Revised Statutes.

  
Name  
Judge Executive

  
Name  
County Treasurer



SECTION 8 HOUSING ASSISTANCE PAYMENTS  
PROGRAM AUDIT

Appendix B